

TOWNSHIP OF ALBION
Calhoun County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Albion	County Calhoun
Fiscal Year End March 31, 2008	Opinion Date June 19, 2008	Date Audit Report Submitted to State June 20, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
		Zip 48707	
Authorizing CPA Signature 		Printed Name Mark J. Campbell	
		License Number 1101007803	

TOWNSHIP OF ALBION
Calhoun County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

June 19, 2008

To the Township Board
Township of Albion
Calhoun County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Albion, Calhoun County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Albion's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Albion, Calhoun County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF ALBION
Calhoun County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Albion covers the Township's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled \$1,758,571.61 for governmental activities. Overall total capital assets remained the same.

Overall revenues were \$348,412.32. Governmental activities had a \$64,692.76 increase in net assets.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund and the Road Fund.

TOWNSHIP OF ALBION
Calhoun County, Michigan

CONDENSED FINANCIAL INFORMATION
For the year ended March 31, 2008

	<u>Total Governmental Activities 2008</u>
Current Assets	1 271 994
Capital Assets	<u>489 819</u>
Total Assets	<u>1 761 813</u>
Current Liabilities	3 241
Non-current Liabilities	<u>-</u>
Total Liabilities	<u>3 241</u>
Net Assets:	
Invested in Capital Assets	489 819
Unrestricted	<u>1 268 753</u>
Total Net Assets	<u><u>1 758 572</u></u>

	<u>Total Governmental Activities 2008</u>
Program Revenues:	
Fees and Charges for Services	112 590
General Revenues:	
Property taxes	89 509
State Revenue Sharing	81 689
Interest	58 016
Miscellaneous	<u>6 608</u>
Total Revenues	<u>348 412</u>
Program Expenses:	
Legislative	2 200
General Government	81 434
Public Safety	111 607
Public Works	78 042
Other	<u>10 436</u>
Total Expenses	<u>283 719</u>
Increase in Net Assets	64 693
Net Assets, April 1	<u>1 693 879</u>
Net Assets, March 31	<u><u>1 758 572</u></u>

TOWNSHIP OF ALBION
Calhoun County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund and the Road Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant is Fire Protection which incurred expenses of \$70,455.56.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities did not invest in capital assets this year.

The Township has no debt at this time.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Treasurer, Virginia Schultz or the Township Clerk, Kathy Grundemann at (517) 629-2289.

TOWNSHIP OF ALBION
Calhoun County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

March 31, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	1 263 704 78
Taxes receivable	<u>8 289 45</u>
Total Current Assets	<u>1 271 994 23</u>
NON-CURRENT ASSETS:	
Capital Assets	806 374 00
Less: Accumulated Depreciation	<u>(316 555 24)</u>
Total Non-current Assets	<u>489 818 76</u>
TOTAL ASSETS	<u><u>1 761 812 99</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	
Deposits payable	<u>3 241 38</u>
Total Current Liabilities	<u>3 241 38</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	489 818 76
Unrestricted	<u>1 268 752 85</u>
Total Net Assets	<u>1 758 571 61</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1 761 812 99</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ALBION
Calhoun County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year ended March 31, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	2 200 00	-	(2 200 00)
General government	81 434 29	18 703 84	(62 730 45)
Public safety	111 606 50	93 886 06	(17 720 44)
Public works	78 042 39	-	(78 042 39)
Other	10 436 38	-	(10 436 38)
Total Governmental Activities	<u>283 719 56</u>	<u>112 589 90</u>	<u>(171 129 66)</u>
General Revenues:			
Property taxes			81 689 07
State revenue sharing			89 509 02
Interest			58 016 13
Miscellaneous			<u>6 608 20</u>
Total General Revenues			<u>235 822 42</u>
Change in net assets			64 692 76
Net assets, beginning of year			<u>1 693 878 85</u>
Net Assets, End of Year			<u>1 758 571 61</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ALBION
Calhoun County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2008

	<u>General</u>	<u>Road</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	1 263 702 78	-	1 263 702 78
Taxes receivable	8 289 45	-	8 289 45
Due from other funds	<u>2 00</u>	<u>-</u>	<u>2 00</u>
Total Assets	<u><u>1 271 994 23</u></u>	<u><u>-</u></u>	<u><u>1 271 994 23</u></u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Deposits payable	<u>3 241 38</u>	<u>-</u>	<u>3 241 38</u>
Total liabilities	<u><u>3 241 38</u></u>	<u><u>-</u></u>	<u><u>3 241 38</u></u>
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	<u>1 268 752 85</u>	<u>-</u>	<u>1 268 752 85</u>
Total fund equity	<u><u>1 268 752 85</u></u>	<u><u>-</u></u>	<u><u>1 268 752 85</u></u>
Total Liabilities and Fund Equity	<u><u>1 271 994 23</u></u>	<u><u>-</u></u>	<u><u>1 271 994 23</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ALBION
Calhoun County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	1 268 752 85
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	806 374 00
Accumulated depreciation	<u>(316 555 24)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>1 758 571 61</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ALBION
Calhoun County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2008

	<u>General</u>	<u>Road</u>	<u>Total</u>
Revenues:			
Property taxes	40 711 77	40 977 30	81 689 07
Licenses and permits	9 799 72	-	9 799 72
State revenue sharing	89 509 02	-	89 509 02
Charges for services	18 703 84	-	18 703 84
Interest	58 016 13	-	58 016 13
Special assessments	84 086 34	-	84 086 34
Miscellaneous	6 608 20	-	6 608 20
	<u>307 435 02</u>	<u>40 977 30</u>	<u>348 412 32</u>
Total revenues			
Expenditures:			
Legislative:			
Township Board	2 200 00	-	2 200 00
General government:			
Supervisor	15 500 00	-	15 500 00
Elections	3 539 12	-	3 539 12
Clerk	15 435 00	-	15 435 00
Board of Review	645 00	-	645 00
Treasurer	14 500 00	-	14 500 00
Township Hall	9 268 55	-	9 268 55
Legal	9 236 37	-	9 236 37
Unallocated	8 640 57	-	8 640 57
Public safety:			
Fire protection	70 455 56	-	70 455 56
Planning and zoning	680 00	-	680 00
Building inspection	9 017 22	-	9 017 22
Public works:			
Drains at large	665 82	-	665 82
Highways and streets	37 065 09	40 977 30	78 042 39
Other functions:			
Insurance	4 573 75	-	4 573 75
Payroll taxes	5 862 63	-	5 862 63
	<u>207 284 68</u>	<u>40 977 30</u>	<u>248 261 98</u>
Total expenditures			
Excess of revenues over expenditures	100 150 34	-	100 150 34
Fund balances, April 1	1 168 602 51	-	1 168 602 51
Fund Balances, March 31	<u>1 268 752 85</u>	<u>-</u>	<u>1 268 752 85</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ALBION
Calhoun County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	100 150 34
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(35 457 58)
Capital Outlay	<u>-</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>64 692 76</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ALBION
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Albion, Calhoun County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Albion. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF ALBION
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was 1.9379 mills, and the taxable value was \$39,271,402.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF ALBION
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building	50 years
Equipment	20 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF ALBION
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated five financial institutions for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>1 263 704 78</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	505 893 48
Uninsured and Uncollateralized	<u>763 745 49</u>
Total Deposits	<u>1 269 638 97</u>

The Township did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds are the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

TOWNSHIP OF ALBION
Calhoun County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 3 – Deposits and Investments (continued)

Custodial Credit Risk (continued)

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/08</u>
<u>Governmental Activities:</u>				
Building	201 149 00	-	-	201 149 00
Equipment	<u>605 225 00</u>	<u>-</u>	<u>-</u>	<u>605 225 00</u>
Total	806 374 00	-	-	806 374 00
Accumulated Depreciation	<u>(281 097 66)</u>	<u>(35 457 58)</u>	<u>-</u>	<u>(316 555 24)</u>
Net Capital Assets	<u><u>525 276 34</u></u>	<u><u>(35 457 58)</u></u>	<u>-</u>	<u><u>489 818 76</u></u>

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

As of March 31, 2008, the Township had building permit revenues of \$9,799.72 and building permit expenses of \$9,017.22.

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>2 00</u>	Current Tax Collection	<u>2 00</u>
Total	<u><u>2 00</u></u>	Total	<u><u>2 00</u></u>

TOWNSHIP OF ALBION
Calhoun County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	38 695 00	28 875 00	40 711 77	11 836 77
Licenses and permits	6 700 00	6 700 00	9 799 72	3 099 72
State revenue sharing	80 000 00	80 000 00	89 509 02	9 509 02
Charges for services- PTAF	8 175 00	8 175 00	18 703 84	10 528 84
Interest	37 000 00	35 000 00	58 016 13	23 016 13
Special assessments	79 330 00	79 330 00	84 086 34	4 756 34
Miscellaneous	<u>6 410 00</u>	<u>6 317 70</u>	<u>6 608 20</u>	<u>290 50</u>
Total revenues	<u>256 310 00</u>	<u>244 397 70</u>	<u>307 435 02</u>	<u>63 037 32</u>
Expenditures:				
Legislative:				
Township Board	2 600 00	2 600 00	2 200 00	(400 00)
General government:				
Supervisor	15 500 00	15 500 00	15 500 00	-
Elections	3 500 00	3 539 12	3 539 12	-
Clerk	15 000 00	15 435 00	15 435 00	-
Board of Review	645 00	645 00	645 00	-
Treasurer	14 500 00	14 500 00	14 500 00	-
Township Hall	9 000 00	9 268 55	9 268 55	-
Legal	10 000 00	10 000 00	9 236 37	(763 63)
Unallocated	10 300 00	10 573 97	8 640 57	(1 933 40)
Public safety:				
Fire protection	78 336 00	87 399 64	70 455 56	(16 944 08)
Planning	1 110 00	1 110 00	680 00	(430 00)
Building inspection	6 000 00	9 017 22	9 017 22	-
Public works:				
Highways and streets	20 297 70	37 065 09	37 065 09	-
Drains at large	500 00	665 82	665 82	-
Other functions:				
Insurance	4 500 00	4 573 75	4 573 75	-
Payroll taxes	3 750 00	6 000 00	5 862 63	(137 37)
Contingency	<u>20 000 00</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>215 538 70</u>	<u>227 893 16</u>	<u>207 284 68</u>	<u>(20 608 48)</u>
Excess of revenues over expenditures	40 771 30	16 504 54	100 150 34	83 645 80
Fund balance, April 1	<u>1 124 999 81</u>	<u>1 124 999 81</u>	<u>1 168 602 51</u>	<u>43 602 70</u>
Fund Balance, March 31	<u><u>1 165 771 11</u></u>	<u><u>1 141 504 35</u></u>	<u><u>1 268 752 85</u></u>	<u><u>127 248 50</u></u>

TOWNSHIP OF ALBION
Calhoun County, Michigan

BUDGETARY COMPARISON SCHEDULE –ROAD FUND
Year ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	<u>29 065 00</u>	<u>40 977 30</u>	<u>40 977 30</u>	<u>-</u>
Total revenues	<u>29 065 00</u>	<u>40 977 30</u>	<u>40 977 30</u>	<u>-</u>
Expenditures:				
Public works:				
Highways and streets	<u>29 065 00</u>	<u>40 977 30</u>	<u>40 977 30</u>	<u>-</u>
Total expenditures	<u>29 065 00</u>	<u>40 977 30</u>	<u>40 977 30</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

TOWNSHIP OF ALBION
Calhoun County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2008

Township Board:	
Wages	<u>2 200 00</u>
Supervisor:	
Salary	<u>15 500 00</u>
Elections:	
Wages	1 771 75
Supplies	<u>1 767 37</u>
	<u>3 539 12</u>
Clerk:	
Salary	<u>15 435 00</u>
Board of Review:	
Wages	<u>645 00</u>
Treasurer:	
Salary	<u>14 500 00</u>
Township Hall	<u>9 268 55</u>
Legal	<u>9 236 37</u>
Unallocated	<u>8 640 57</u>
Fire protection:	
Wages	27 675 00
Supplies	15 535 14
Utilities	2 786 31
Repairs and maintenance	7 527 91
Insurance	14 761 25
Miscellaneous	<u>2 169 95</u>
	<u>70 455 56</u>
Planning and zoning	<u>680 00</u>
Building inspection	<u>9 017 22</u>
Drains at large	<u>665 82</u>
Highways and streets	<u>37 065 09</u>
Insurance	<u>4 573 75</u>
Payroll taxes	<u>5 862 63</u>
Total Expenditures	<u><u>207 284 68</u></u>

TOWNSHIP OF ALBION
Calhoun County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2008

	<u>Balance</u> <u>4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/08</u>
<u>Assets</u>				
Cash in Bank	<u>2 00</u>	<u>1 647 868 92</u>	<u>1 647 868 92</u>	<u>2 00</u>
<u>Liabilities</u>				
Due to other funds	2 00	183 007 85	183 007 85	2 00
Due to others	<u>-</u>	<u>1 464 861 07</u>	<u>1 464 861 07</u>	<u>-</u>
Total Liabilities	<u>2 00</u>	<u>1 647 868 92</u>	<u>1 647 868 92</u>	<u>2 00</u>

TOWNSHIP OF ALBION
Calhoun County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2008

Cash in bank – beginning of year	<u>2 00</u>
Cash receipts:	
Property tax	1 647 793 92
Animal licenses	<u>75 00</u>
Total cash receipts	<u>1 647 868 92</u>
Total beginning balance and cash receipts	<u>1 647 870 92</u>
Cash disbursements:	
Township General Fund	183 007 85
Calhoun County	491 771 16
Calhoun Intermediate School District	235 271 58
Kellogg Community College	150 965 66
Albion Public Schools	118 354 92
Homer Community Schools	271 591 39
Albion Library	91 250 38
Homer Library	48 28
State of Michigan	103 764 47
Refunds	<u>1 843 23</u>
Total cash disbursements	<u>1 647 868 92</u>
Cash in Bank – End of Year	<u>2 00</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 19, 2008

To the Township Board
Township of Albion
Calhoun County, Michigan

We have audited the financial statements of the Township of Albion for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Albion in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Albion
Calhoun County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants